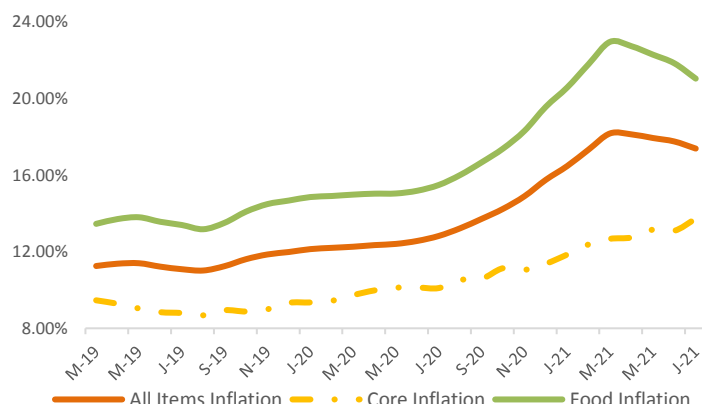


Consumer Price Inflation



Inflation Mellows to 17.38% amid Slower Rise in Food Inflation in July 2021

The latest Inflation report from the National Bureau of Statistics (NBS) showed sustained decline in headline inflation which further moderated to 17.38% (from 17.75% printed in June). This fourth consecutive disinflation was majorly driven by slower increase in food inflation which was due to relatively increase in supply of food in the month under review. We saw food Index rise at a slower pace by 21.03% (compared to 21.83% recorded in June) as there were slower increases in prices of milk, cheese and egg, coffee, tea, cocoa, vegetables amongst others.

Meanwhile, imported food index rose by 17.06% (compared to 17.04% in June) as Naira further depreciated against the greenback at the BDC and Parallel markets. Amid demand pressure on the USD, two months moving average foreign exchange rates at the BDC and Parallel markets rose m-o-m by 1.96% and 2.00% to N498.46/USD and N503.49/USD in July 2021.

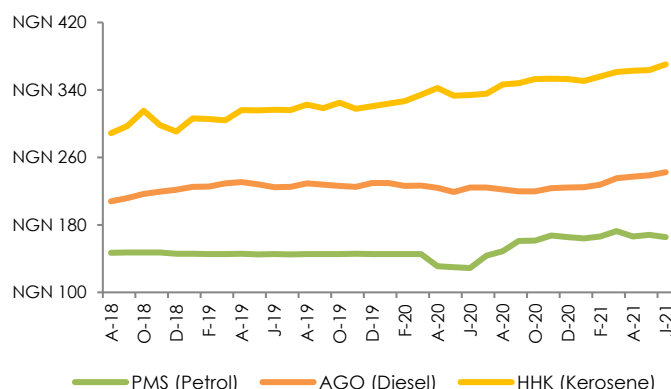
However, core inflation rate advanced to 13.72% (from 13.09% in June) driven by rise in prices of pharmaceutical products, garments, shoes and other footwears, medical and hospital services, furniture and finishing amongst others.

On a month-to-month basis, headline inflation moderated to 0.93% (from 1.06%) amid a monthly decline in food inflation rate to 0.86% (from 1.11%) as the harvest season set in. However, core inflation rate rose to 1.31% (from 0.81%) amid rise in clothing and footwear cost (+0.33%), transport (+0.04%) and water, electricity, gas and other fuel costs (+0.09%). Notably, urban and rural annual inflation rates moderated to 18.01% (from 18.35%) and 16.75% (from 17.16%) respectively in June.

Outlook:

We expect the headline inflation rate to ease further y-o-y as food inflation falls amid ongoing harvest season. However, we feel that the recent increase noticed in the price of non-food items and the volatile exchange rate may hamper the slower all-items inflation rate going forward.

Monthly Average Commodity (Fuels) Price/Litre



Monthly Average Exchange Rates (NGN/USD)

